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RUSSIANS SOUGHT U.S. BANKS TO GAIN HIGH-TECH SECRETS

Plan to Buy Institutions in 70's Was Foiled — Gaps Seen in Investment Statutes

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WASHINGTON, Feb. 15 — The Soviet Union secretly tried to acquire three banks in northern California and an interest in a fourth to gain access to advanced American technology, United States intelligence and military officials say.

The attempt, which was foiled by United States intelligence agents in the mid-1970's, was part of what American officials have described as a broad Soviet effort to acquire Western technology for military and commercial purposes.

United States officials and private lawyers familiar with the case said Soviet agents wove a pattern of international intrigue using disguised principals and large sums of money that traveled a circuitous route.

C.I.A. Agent Saw Pattern

The scheme failed when an agent of the Central Intelligence Agency noticed a peculiar lending pattern by the Singapore branch of a Soviet bank. The case attracted little attention in the United States, and officials and lawyers familiar with it provided details that have not been previously disclosed.

American intelligence, military and banking officials, along with some members of Congress, said the scheme raised questions about whether banking statutes, even those that have been strengthened since then, are adequate to cope with a threat to national security.

If the Soviet Union had managed to take over a bank, the officials said, it could have learned about the confidential finances of American high-technology companies, perhaps enabling it to put pressure on executives and companies or even take one over.

Takeover Plan Was Legal

The plan, which did not violate any laws, was aborted after a \$1.6 million down payment was made on the banks: the Peninsula National Bank in Burlingame, the First National Bank of Fresno, and the Tahoe National Bank

in South Lake Tahoe. In addition, the Soviet Union sought partial interest in the Camino California bank in San Francisco. Peninsula National had made numerous loans to high-technology companies and, along with the other banks, counted employees and executives of high-technology companies among its clients.

"I always viewed it as a deliberate penetration by the K.G.B. of the American banking system," said Bartholomew Lee, a San Francisco lawyer involved in a civil case resulting in the effort.

Senator Daniel Patrick Moynihan, Democrat of New York, an intelligence specialist, was one of the few on Capitol Hill in the late 1970's aware of the Soviet effort. "It's a new form of industrial espionage," he said. "It doesn't involve people stealing blueprints; they own the blueprints."

M. Melnikov, deputy trade representative at the Soviet Embassy here, said he was not familiar with the takeover attempt. "I never heard this story, and I don't know anyone who has," he said. "Our relations in the financial field in the United States are practically nonexistent."

Similarly, officials of the Moscow Norodny Bank, which financed the attempt to buy interests in the banks, have insisted that its loans were strictly business transactions.

Foreign Investment Problems

To intelligence, military and banking officials, and some members of Congress, the Soviet scheme underscored one of the problems in a society that welcomes foreign investment, in which the highest bidder can acquire institutions that have access to sensitive information. They said the incident also highlighted the difficulty of learning the true principals in some financial transactions and of tracking money whose source has been under layers of transactions.

"There is sometimes a real conflict between free trade and national security," said Richard N. Perle, Assistant Secretary of Defense for international security policy. "It seems to me in our national security interests not to give the Soviets any leverage."

Mr. Perle also noted the problems of disguised ownership and said the laws should be strengthened to provide information on the true nature of these transactions. "It seems to me that at the very least we ought to have a continuing audit of what is being acquired and by whom," he said. "We ought to look behind the immediate purchaser, and satisfy ourselves that we know who we're really dealing with."

'Not a Private Affair'

Senator Moynihan said: "The ownership of banks is not a private affair. If you have to go two or three layers into the system to find out what's happening, go two or three layers into the system."

valuable intelligence, said Representative Charles E. Schumer, a New York Democrat who is a member of the Banking Committee. "If you wanted to find out about any aspect of American industry, one of the most effective and relatively cheap ways to do it is to get inside a bank," he said. "They give unfriendly foreign powers a window into things they ought not to see."

Frederick R. Dahl, associate director of the Federal Reserve Board's division of Banking Supervision and

Regulation, said: "We're really in a public dilemma. We've always had a tradition in this country that anyone could start a bank, with the proviso that he had some money and was reputable. Then you come to the question of undesirables getting in. You try to keep them out, but it's easier said than done."

The Soviet attempt may not be an isolated one. Amos Dawe, a Singapore businessman who served as the Russians' major intermediary in the bank scheme, told Federal officials that the Soviet Union had succeeded in carrying out similar acquisitions in other parts of the country, but he declined to specify where or when, his lawyers said.

Mr. Perle agreed. "If the Moscow Norodny bank attempted to acquire banks in Silicon Valley, you can be sure that they made other efforts elsewhere," he said.

Plan to Buy Banks: Hiding Money's Source

A detailed account of the Soviet scheme was pieced together from interviews with intelligence and military officials, private lawyers familiar with the case, court records and a statement by Mr. Dawe.

According to court records, the Moscow Norodny bank's Singapore branch used Mr. Dawe to acquire the three California banks and used another intermediary, Y. T. Chou, a business associate of Mr. Dawe's, to acquire a half interest in the Camino California bank in San Francisco.

The scheme was aborted by United States intelligence officials, who released the story to an Asian financial newsletter. Mr. Dawe has acknowledged through his lawyers his role as an intermediary. Efforts to reach Mr. Chou, who is believed to be living in southeast Asia, were unavailing.

Moscow Norodny selected the banks to be acquired, and supervised their acquisition, according to Mr. Dawe's statements.

Ephraim Margolin, one of Mr. Dawe's attorneys in San Francisco, said of his client, "There is no doubt in my mind that he was working for the Russians."

Cliff Palefsky, another of Mr. Dawe's San Francisco attorneys, said his client hoped to make money on the deal. But he added: "There's no question that he was reporting to the Rus-

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